

Old Age, Disability, Death

First laws: 1936 (wage earners) and 1962 (salaried employees).
Current laws: 1973 (unified Social Security Retirement Act) and 1991 (system of individual capitalization).

Type of program: Social insurance system (**old system**) and individually funded private pensions (**new system**).

Exchange rate: U.S.\$1.00 equals 2.19 Nuevo Sol.

Coverage

Old system—Wage earners and salaried employees in private and public sectors, employees of worker-owned and cooperative enterprises, teachers, self-employed drivers, artists, and domestic workers. Special systems: Fishermen, stevedores and employees not covered under national pension system. Exclusions: Public employees hired before February 26, 1974; teachers hired before December 31, 1980; diplomatic service and judiciary employees hired before February 16, 1974; and Interior and Defense Ministry employees hired before February 26, 1974.

Voluntary coverage for self-employed and economically active no longer in covered employment (a minimum of 18 months previous coverage required), and housewives.

New system—Employed and self-employed persons.

Source of Funds

Old system—Insured person: 3% of earnings (self-employed and housewives, 9% of earnings).

Employer: 6% of earnings.

Government: Contributes as employer.

Minimum earnings for contribution purposes: Legal minimum wage.

For domestic workers, 1/3 of minimum wage.

Maximum: No contribution ceiling.

New system—Insured person: 10% of earnings to fund old-age benefits, plus 3% to 4% to cover survivors' and disability insurance.

Qualifying Conditions

Old system—Old-age pension: Age 60 (men and age 55 (women) with at least 20 years of contributions.

Disability pension: Loss of 2/3 of earning capacity. Employed at time of disablement; or 36 months of contribution with 18 in last 36 months; or 12 months in last 36 months if from 3 to 15 years of contribution; or 15 or more years of contribution.

Survivor pension: Insured was pensioner or qualified for pension at death.

New system—Old-age pension: Age 65 (men) and age 60 (women). However, a benefit is payable at any age if the individual capitalization fund has accumulated assets that will replace at least 50% of average indexed earnings in last 10 years (and at 110% of the amount of the minimum benefit in force on the date of the benefit).

Disability pension: Loss of 2/3 of earning capacity.

Survivor pension: Deceased actively enrolled or was pensioner.

Old-Age Benefits

Old system—Old-age pension: 50 of indexed average earnings

(reference salary), plus increments of 4% for each year of contribution in excess of 20.

Maximum benefit equals 100% of reference salary, but not more than 600 soles.

Minimum, 3 times national minimum wage.

The number of coverage months used to calculate benefits varies by length of coverage from 36 to 48 to 60 whether there are 30 or more, 25 to 30, or 20 to 25 years, respectively.

Dependents' supplements: 2% to 10% of earnings for spouse and 2% to 5% for each child.

Reduced pension: 1/30 (men) or 1/25 (women) of average earnings per year for 5-14 (men) or 5-12 (women) years of contribution.

Constant-attendance supplement: Amount equal to minimum wage.

Adjustment: Pensions adjusted quarterly according to changes in the cost of living in Lima.

New system—Old-age pension: Earnings replacement will vary according the financial performance of the individual pension fund account.

Beneficiaries have three options in receiving their pensions:

- 1 An annuity with amount and duration arranged by a pension fund management company (AFP);
- 2 an annuity with survivors' benefits purchased from an insurance company; and
- 3 a deferred annuity payable by an insurance carrier, with as much as 50% disbursed by the AFP during the period of deferral.

Permanent Disability Benefits

Old System—Disability pension: 100% during first year (cash sickness). 50% thereafter, plus 1.5% per year of contribution over 3 years. (If 1-3 years of contributions, 1/6 of average earnings for each year). Minimum, 3 times legal minimum wage.

Maximum, 80% of total earnings.

Dependents' supplements: 2% to 10% of earnings for spouse and 2% to 5% for each child. Amount reduced if concurrent earnings and pension exceeds former average earnings.

Constant-attendance supplement: Amount equal to minimum wage.

Benefits for voluntarily insured self-employed persons are based on average earnings in last 60 months.

Adjustment: Pensions adjusted quarterly according to changes in the cost of living in Lima.

New system—Disability pension: Accrued capitalization in addition to group disability and survivors' insurance according to the same condition applicable to the old-age benefit.

Survivor Benefits

Old System—Survivor pension: 50% of pension paid or accrued to insured, payable to widow and to disabled widower. Orphans under age 18 (21 if student, any age if disabled), 20% each of pension payable to widow or 40% if full orphan.

Minimum, 3 times minimum wage in Lima. Eligible dependent parents, 20% each.

Survivor benefit payable to dependent parents if no other survivors.

Maximum survivor pensions: 100% of pension of insured; minimum orphan pension, 1-1/2 times legal minimum wage.

Funeral grant: Cost of burial up to 5 times minimum wage.
 Constant-attendance supplement: Amount equal to minimum wage, if disabled.
New system—Survivor pension: Same as under disability.
 Adjustment: Pensions adjusted quarterly according to changes in the cost of living in Lima.

Administrative Organization

Old system—Comptroller General of the Republic, general supervision.
 Office of Social Security Normalization, administration of program.
New system—Superintendency of Pension Fund Administrators (SAFP), general supervision.
 Investment Classification Commission, assessment of investment risks.

Sickness and Maternity

First laws: 1936 (wage earners) and 1948 (salaried employees).
 Current laws: 1979 (old system) and 1991 (new system)
 Type of programs: Social insurance system and private insurance.
 Cash and medical benefits.

Coverage

Old system—Employed persons in private and public sectors, employees of worker-owned and cooperative enterprises, professional artists, self-employed drivers, domestics, pensioners, voluntarily insured, spouse of insured, children under age 18, and disabled husband of insured. Exclusion: Employers providing health services directly to employees. Special systems: Fishermen, stevedores, and employees not covered under national pension system. Voluntary coverage for self-employed and economically active no longer in covered employment (a minimum of 18 months previous coverage required), and housewives.
New system—All persons opting out of the old social security program and their dependents.

Source of Funds

Old system—Insured person: 3% of earnings; pensioners, 4% of pension; self-employed, 9% of earnings; housewives, 5% of earnings.
Employer: 6% of payroll.
Government: Contributes as employer.
 Minimum earnings for contribution purposes: Minimum legal wage; for domestics, 1/3 legal minimum wage.
 Maximum: no contribution ceiling.
New system—Insured person: 8 percent of earnings.
Employer: 1 percent of earnings.
Government: None.

Qualifying Conditions

Old system—Cash sickness and medical benefits: 3 months' consecutive contributions, or 4 months of contributions in last 6 months immediately preceding onset of illness. If accident, current coverage only.

Cash maternity benefits: 3 months' consecutive contributions, or 4 months' contributions in last 6 months before expected date of birth. Initial coverage at least 9 months before confinement.

Sickness and Maternity Benefits

Sickness benefit: 100% of earnings, payable after 20-day waiting period (during which employer must pay full salary) for up to 11 months and 10 days.
Maternity benefit: 100% of earnings, up to maximum, payable for 45 days before and 45 days after confinement. Also, nursing allowances (in cash or in kind), 25% of minimum wage for 8 months.

Workers' Medical Benefits

Medical benefits: Option of receiving direct services from Social Security Institute's own or contracted facilities or refund of medical expenses subject to maximum fee schedule.
 Includes general and specialist care, maternity care, dental care, hospitalization, laboratory services, appliances, and medicines (services subject to availability of necessary facilities).
 Duration: 12 months (may be extended in certain cases).

Dependents' Medical Benefits

Medical benefits for dependents: Wife of insured man receives same sickness and maternity benefits as insured woman. Children under age 18 receive medical care.
 Funeral grant: Cost of burial up to 5 times legal minimum wage.
New system—Medical benefits: Care generally available under group health organizations. Co-payments are usually required.

Administrative Organization

Old system—Comptroller General of the Republic, general supervision.
 Office of Social Security Normalization (ONP), administration of sickness and maternity benefits. ONP operates dispensaries, clinics, and hospitals, and has other facilities under contract.
 (Most employers pay cash sickness and maternity benefits directly to their workers, and deduct amounts paid from contributions owed.)
New system—Organization for Health Service, general supervision.
 Health services providers, administration of program.

Work Injury

First laws: 1911 (work injury); 1935 (occupational diseases).
 Current law: 1971.
 Type of program: Social insurance system. Cash and medical benefits.

Coverage

Wage earners, including fishermen, domestic workers, and journalists working for one employer. Salaried employees covered under sickness and maternity program above.

Source of Funds

Insured person: None.
Employer: 1% to 12.2% of payroll, according to risk and accident rate.

Government: Contributes as employer.

Maximum earnings for benefit purposes: 6 times local minimum wage.

Qualifying Conditions

Work-injury benefits: No minimum qualifying period.

Temporary Disability Benefits

Temporary disability benefit: 100% of wages, payable for as long as treatment necessary.

Permanent Disability Benefits

Permanent disability pension: 80% of average wages (100% in cases requiring constant attendance), if totally disabled (more than 65% incapacity).

Partial disability (40%- 65% incapacity): pension proportionately reduced. Lump sum of 2 years' pension if disability less than 40%. Constant-attendance allowance.

Workers' Medical Benefits

Medical benefits: Necessary medical, surgical, and hospital care and appliances until recovery or certification of permanent disability.

Survivor Benefits

Survivor pension: 50% of total disability pension of insured, payable to widow and to disabled widower. Orphans: 25% of pension of insured for each orphan under age 18 (23 if student). Parents' pension (in absence of above): 25% of pension of insured for each eligible parent. Maximum survivor pensions: 100% of pension of insured.

Funeral grant: Lump sum of 2 months' earnings.

Administrative Organization

Comptroller General of the Republic, general supervision.

Office of Social Security Normalization administration of the program.

(Most employers pay temporary disability benefits directly to their workers, and deduct amounts paid from contributions owed.)

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